

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
)
Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, FEBRUARY 18, 2004
10:10 A.M.

Reported by:
Peter Petty
Contract No. 150-01-006

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

Arthur H. Rosenfeld

James D. Boyd

John L. Geesman

B.B. Blevins

STAFF PRESENT

Robert Therkelsen, Executive Director

William Chamberlain, Chief Counsel

Song Her, for Secretariat

Stanley Valkosky

Caryn Holmes

Gabriel Herrera

Brad Meister

Mark Rawson

Laurie ten Hope

PUBLIC ADVISER

Margret Kim

ALSO PRESENT

Jeffery D. Harris, Attorney
Ellison, Schneider and Harris, LLP

Randy Baysinger
Turlock Irrigation District

ALSO PRESENT

Julee Malinowski-Ball
Public Policy Advocates
representing California Biomass Energy Alliance

Robert F. Hoffman, Attorney
Paul, Hastings, Janofsky and Walker, LLP
representing AES, Central Valley

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P R O C E E D I N G S

10:10 a.m.

CHAIRMAN KEESE: Good morning. I'll call this meeting of the Energy Commission to order. Commissioner Boyd, would you lead us in the Pledge, please.

(Whereupon the Pledge of Allegiance was recited in unison.)

CHAIRMAN KEESE: Thank you and good morning. Consent calendar, five items, do I have a motion?

COMMISSIONER ROSENFELD: I move the consent calendar.

CHAIRMAN KEESE: Motion, Commissioner Rosenfeld.

PRESIDING MEMBER BOYD: Second.

CHAIRMAN KEESE: Second, Commissioner Boyd.

CHAIRMAN KEESE: All in favor?

(Ayes.)

CHAIRMAN KEESE: Opposed? Adopted five to nothing.

Item 2, Turlock Irrigation District's Walnut Energy Center. Commission consideration of possible adoption of the Presiding Member's

1 Proposed Decision recommending approval of the
2 application for certification for the 250-megawatt
3 Walnut Energy Center.

4 PRESIDING MEMBER BOYD: Mr. Valkosky.

5 CHAIRMAN KEESE: Mr. Valkosky.

6 MR. VALKOSKY: Thank you, Mr. Chairman.

7 Walnut Energy Center is a nominal 250-
8 megawatt natural gas fired combined cycle
9 generating facility located west of the downtown
10 portion of the city of Turlock. The project will
11 provide additional generation to meet Turlock Irrigation District's
12 growing load, and will also replace the generation
13 which will be lost due to the expiration of long-
14 term power purchase agreements currently held by
15 TID.

16 TID anticipates commencing construction
17 of the Walnut Energy Center in the first quarter
18 of this year and based on a 24-month construction
19 schedule, plans to begin full operation no later
20 than the second quarter of '06.

21 The Committee issued its PMPD on January
22 14th. The applicant moved to reopen the record in
23 order to supplement the evidence on the topic of
24 visual resources. The Committee granted this
25 request and heard the evidence on February 10th.

1 The Committee then issued an errata on
2 February 11th. The applicant and staff
3 cooperatively resolved most of the issues in this
4 proceeding. The Committee believes it has, over
5 the course of four evidentiary hearings,
6 appropriately dealt with remaining issues in the
7 areas of air quality, land use and compliance.

8 The Committee therefore recommends to
9 adopt the PMPD and its accompanying errata as the
10 Commission decision in this case. Are there any
11 questions?

12 CHAIRMAN KEESE: Any questions here?
13 Now, staff -- staff is supportive of what we have
14 just heard recommended?

15 MS. HOLMES: As Mr. Valkosky indicated,
16 there were several areas of disagreement between
17 staff and the applicant. These are addressed in
18 the Presiding Member's Proposed Decision which is
19 before you. Staff did not agree with the way that
20 all the issues were resolved, but we don't have an
21 objection at this time to moving forward with this
22 project.

23 CHAIRMAN KEESE: Thank you. Applicant?

24 MR. HARRIS: Yes. Jeff Harris. I'd
25 like to say a few words and then turn it over to

1 Mr. Baysinger, if I could.

2 We are in agreement with the PMPD. We
3 want to thank the Committee for putting together
4 the document in such a timely manner.

5 And just as a remark, as well, I'd like to say,
6 this is a Siting process that we ought to study
7 again and figure out what went right. Because
8 this went very well. And I think there's some
9 good lessons we can learn from that.

10 So, if I could have Mr. Baysinger say
11 just a few words.

12 CHAIRMAN KEESE: Thank you. Mr.
13 Baysinger.

14 MR. BAYSINGER: Thank you.
15 Commissioner, I just wanted to thank the Committee
16 and the Hearing Officer for their thoughtful and
17 careful consideration of our project. As Mr.
18 Valkosky stated, we are prepared to break ground
19 next month, so we're ready to go and are looking
20 forward to a successful project.

21 Also would like to thank Ms. Holmes and
22 Bob Eller. They were very professional to work
23 with and we did reach agreement on almost every
24 item, and it was a very good experience working
25 with them.

1 CHAIRMAN KEESE: Thank you. Public
2 comment?

3 Seeing none, do I have a motion?

4 PRESIDING MEMBER BOYD: So moved, Mr.
5 Chairman.

6 CHAIRMAN KEESE: Motion, Commissioner
7 Boyd.

8 COMMISSIONER GEESMAN: Second.

9 CHAIRMAN KEESE: Second, Commissioner
10 Geesman. Any further discussion?

11 All in favor?

12 (Ayes.)

13 CHAIRMAN KEESE: Opposed? Adopted five
14 to nothing; thank you.

15 MR. BAYSINGER: Thank you.

16 MR. HARRIS: Thank you.

17 CHAIRMAN KEESE: Good luck on the
18 groundbreaking.

19 Item 3, Agricultural Biomass to Energy
20 Program. Consideration and possible approval of
21 the proposed guidelines for the agricultural
22 biomass to energy program pursuant to SB-704.

23 MR. HERRERA: Good morning,
24 Commissioners. -- today, so I'll be making the
25 presentation on behalf of Mr. Goncalves.

1 CHAIRMAN KEESE: Do we have the
2 microphone on?

3 PRESIDING MEMBER BOYD: Is your mike on?

4 MR. HERRERA: How about that?

5 CHAIRMAN KEESE: That works.

6 MR. HERRERA: Let me try it again. Good
7 morning, I'm Gabe Herrera with the Legal Office.
8 I'm here with Tony Goncalves with the technology
9 markets and development office, and we're here to
10 seek the Commission's approval of proposed
11 guidelines for the agricultural biomass to energy
12 program.

13 This program and proposed guidelines
14 were developed pursuant to Senate Bill 704. That
15 bill was enacted in October of last year and took
16 effect in January of this year. And it directs
17 the Energy Commission to design and implement a
18 program intended to improve the air quality in
19 California in certain agricultural areas by
20 reducing the amount of agricultural fuels that are
21 open-field burned.

22 It directs the Energy Commission to pay
23 eligible biomass facilities production incentives
24 in the amount of \$10 per ton for each ton of
25 qualified agricultural biomass that is purchased

1 by that facility and converted into energy from
2 the periods July 1, 2003 through June 2004.

3 To qualify for the incentives the
4 facilities need to satisfy a number of statutory
5 requirements. The facility has to be located in
6 California. It must have converted and continue
7 to convert qualified agricultural biomass into
8 electrical energy as of July 1, 2003. The
9 facility has to be permitted with the best
10 available control technology. Its emission
11 control equipment needs to be in good operating
12 condition and it needs to be in compliance with
13 its permit to operate conditions. Those
14 requirements are determined by the air district in
15 which the facility is located.

16 Neither the facility nor the suppliers
17 of that facility that provide qualified
18 agricultural biomass to the facility can receive
19 any emission reduction credits for that fuel that
20 it proposes to receive incentives under this
21 program.

22 And lastly, the facility must increase
23 the amount of purchases of qualified agricultural
24 biomass by 10 percent over its pre-2002 five-year
25 average.

1 Money for this program originates from
2 the renewable resource trust fund and there's \$6
3 million for this purpose. That was reallocated
4 pursuant to the Budget Act last year.

5 And with that let me just say that these
6 guidelines reflect, I think, a very expedited
7 process. The Statute requires us to make payments
8 to these eligible facilities for any qualified
9 biomass that they purchase between July of 2003
10 and December 2003 by the end of March. So a very
11 expedited schedule.

12 What we've done is with the Renewables
13 Committee's guidance, went out with draft
14 guidelines the first of December; we had a
15 Renewables Committee hearing to collect public
16 comments on December 11th. And then went out with
17 a proposed draft guidebook on January 12th.

18 And since then we've received some
19 additional comments from ARB, the California Air
20 Resources Board, the California Biomass Energy
21 Alliance, and one Air District, and that would be
22 the Sacramento Metropolitan AQMD. And since we've
23 received those comments we've proposed some
24 additional changes to the guidebooks that was
25 circulated on January 12th. Those are reflected

1 in this handout that was made available to
2 individuals here.

3 And what we are proposing is that the
4 Energy Commission adopt these guidelines with the
5 proposed revisions. I can go through each of
6 those revisions if you'd like.

7 CHAIRMAN KEESE: Unless --

8 MR. HERRERA: I'll leave it up to you,
9 Commissioners.

10 CHAIRMAN KEESE: The only one I was
11 concerned with is the switch to air district
12 verification.

13 MR. HERRERA: Right. The guidebook --

14 CHAIRMAN KEESE: Could you just discuss
15 that one very briefly?

16 MR. HERRERA: Sure. The guidebook that
17 was distributed on January 12th, the proposed
18 final, had included forms that air districts would
19 need to complete by way of declaration indicating
20 that certain information with respect to these
21 eligible facilities was true and correct.

22 Sacramento Metropolitan AQMD raised
23 concerns about that. So did the California Air
24 Resources Board. And their position was if these
25 facilities are to qualify for the funding the

1 burden should be on them. So the process should
2 be for these facilities to complete the forms and
3 submit the forms to the air districts for their
4 verification.

5 The air districts and the California Air
6 Resources Board believe that this is going to make
7 the process easier for air districts to comply.

8 CHAIRMAN KEESE: Thank you. It sounds
9 to me like it makes it easier for applicants also.
10 And I gather the Committee agreed with that.

11 Does anybody have any other questions
12 regarding the amendments? Is there anybody from
13 the public who would like to comment on this at
14 this time?

15 Mr. Hoffman, is it? Or Julee?

16 MS. MALINOWSKI-BALL: Hi, thank you.
17 Julee Malinowski-Ball. I represent the California
18 Biomass Energy Alliance, and it is my members'
19 facilities that will be participating in the
20 program.

21 We are okay with the proposed changes
22 that were circulated last week. We appreciate the
23 staff's efforts to accommodate everyone's interest
24 in this. We're pleased with the overall structure
25 of the document and would like to thank staff for

1 developing, and the Committee for developing a
2 flexible program that supports both the letter and
3 intent of SB-704, thereby insuring maximum
4 participation of the biomass power industry.

5 We don't have any further comments, but
6 we do appreciate all the efforts on this; and
7 we're ready to get our forms filled out by March
8 1st.

9 CHAIRMAN KEESE: Thank you. Mr.
10 Hoffman, did you want to say anything?

11 MR. HOFFMAN: Good morning,
12 Commissioners. Bob Hoffman on behalf of the AES
13 Central Valley.

14 I would like to just thank and
15 acknowledge your staff for the great job they did
16 in putting this together. They were incredibly
17 responsive and timely.

18 I have just one point I'd like to make;
19 it's a point of clarification. In the
20 verification form that you mentioned, Mr. Keese,
21 there is a statement that the air districts will
22 be verifying the status of these ERCs - this is
23 Form 4 -- through June 30, 2004. And I've
24 discussed this with counsel.

25 The program is set up into two phases,

1 one to pay for the first six months and then if
2 there are funds remaining for the second six
3 months; therefore the forms have to be submitted
4 by March 1st.

5 This form, on its face, requires the air
6 districts to verify the status of these credits
7 through June 30, 2004. And I'd just like to
8 clarify for the record that what the Commission
9 expects is that the air districts will be
10 certifying that that's the status at the time that
11 they sign it this month and that they don't expect
12 that to change through the end of the year.
13 That's my only comment.

14 Thanks.

15 MR. HERRERA: That's correct.

16 CHAIRMAN KEESE: Thank you. Okay, do we
17 have a motion?

18 COMMISSIONER GEESMAN: Mr. Chairman, I
19 would move the recommendation. And also commend
20 the staff for the timeliness of their work here.
21 It required a lot of effort during that fairly
22 sensitive time of year and they rose to the
23 occasion.

24 CHAIRMAN KEESE: Motion, Commissioner
25 Geesman.

1 PRESIDING MEMBER BOYD: I'd second that
2 motion with the same sentiments. I really
3 appreciate the hard work that went into this.

4 CHAIRMAN KEESE: Second, Commissioner
5 Boyd. Any other conversation?

6 All in favor?

7 (ayes.)

8 CHAIRMAN KEESE: Opposed? Adopted five
9 to nothing; thank you.

10 Item 4, Energy Conservation Assistance
11 Act account bond fund. Possible approval of a
12 loan for the Town of Los Altos Hills for \$160,000
13 to install 30-kilowatts photovoltaic solar panels,
14 lighting control, solar lighting tubes, et cetera.

15 MR. MEISTER: Good morning,
16 Commissioners.

17 CHAIRMAN KEESE: Good morning.

18 MR. MEISTER: Welcome back, B.B.

19 COMMISSIONER BLEVINS: Thanks.

20 MR. MEISTER: I'm here today to request
21 approval of an Energy Conservation Assistance Act
22 bond fund loan for \$160,000 to the Town of Los
23 Altos Hills. The loan will allow the Town of Los
24 Altos Hills to install a comprehensive package of
25 energy efficiency measures and 30-kW photovoltaics

1 at their new town hall building.

2 The projects will have a simple payback
3 of approximately ten years and the loan will have
4 an interest rate of 3.95 percent.

5 The item has previously been to Policy
6 Committee and received their support. The staff
7 recommends the Commission approve this loan to the
8 Town of Los Altos Hills for \$160,000.

9 CHAIRMAN KEESE: Thank you. Do I have a
10 motion?

11 COMMISSIONER BLEVINS: Move it.

12 CHAIRMAN KEESE: Motion, Commissioner
13 Blevins.

14 COMMISSIONER ROSENFELD: Second.

15 CHAIRMAN KEESE: Second, Commissioner
16 Rosenfeld.

17 All in favor?

18 (Ayes.)

19 CHAIRMAN KEESE: Opposed? Five to
20 nothing.

21 Item 5, Department of Energy, Lawrence
22 Berkeley National Laboratory. Possible approval
23 of Contract 500-03-024 for \$2,955,000 to develop
24 tools and techniques using microgrid strategies
25 for integrating into the system of distributed

1 energy technologies into the system while
2 supporting transmission reliability.

3 MR. RAWSON: Good morning. Thank you,
4 Chairman.

5 CHAIRMAN KEESE: That's a rather tough
6 sentence.

7 MR. RAWSON: Yeah. My name is Mark
8 Rawson. I'm the Program Manager for the DER
9 Research Program within PIER.

10 This follow-on contract that we're
11 bringing before you today is with the Consortium
12 for Electricity Reliability Technology Solutions
13 work on microgrids. And specifically, this
14 contract will fund laboratory testing of the
15 microgrids concept.

16 I want to give you a little context for
17 this work and where we're at. The microgrids
18 concept that CERTS has envisioned is somewhat
19 defined as a semi-autonomous grouping of
20 distributed generation sources with electrical
21 loads. And it functions independently of the
22 traditional power system but it's interconnected
23 to the power system so that it could exchange
24 energy and possibly ancillary services with the
25 system.

1 This technology enables the end use
2 customers to optimize their overall energy system
3 requirements and do it with a more cost effective
4 solution that doesn't require high-speed
5 communications between multiple DG devices. So it
6 is a novel concept.

7 In the context of its development cycle
8 of research, development and demonstration, past
9 work in the research phase of this activity has
10 been done collaboratively with the Department of
11 Energy. We have funded thus far about \$1.8
12 million in research work and DOE has funded about
13 \$2.8 million in research.

14 This contract moves us into the next
15 phase, which is development. And we propose to
16 actually start integrating the DG sources and
17 hardware in a laboratory environment and test the
18 protection and control aspects of this technology.

19 Future phases of this work, which will
20 include field demonstration, we will expect to
21 have DOE and ourselves participating in a more
22 interactive role.

23 I'd be happy to answer any questions on
24 this particular contract.

25 CHAIRMAN KEESE: Any questions here? Do

1 I have a motion?

2 COMMISSIONER GEESMAN: So moved, Mr.
3 Chairman.

4 COMMISSIONER ROSENFELD: Second.

5 CHAIRMAN KEESE: Motion, Commissioner
6 Geesman; second, Commissioner Rosenfeld. Further
7 discussion?

8 All in favor?

9 (Ayes.)

10 CHAIRMAN KEESE: Opposed? Five to
11 nothing.

12 MR. RAWSON: Thank you.

13 CHAIRMAN KEESE: That's the first 3
14 million.

15 Item 6, Department of Energy, Lawrence
16 Berkeley National Laboratory. Possible approval
17 of Contract 500-03-026 for \$7,999,970 to establish
18 a multi-institutional demand response research
19 center.

20 MS. TEN HOPE: Good morning. I'm Laurie
21 ten Hope. I am the Team Lead for the Energy
22 Systems Integration Team, and I'm going to present
23 this item. Dave Michel will be the Contract
24 Manager, but was recently brought into this, so
25 it's not really fair to ask him to present at this

1 point.

2 And I'm presenting this on behalf of
3 three PIER teams. I worked closely with Nancy
4 Jenkins and Pramod Kulkarni to develop this
5 proposal.

6 We're asking for your approval of a
7 multi-institutional, multi-year demand response
8 research center that would be hubbed at LBL, but
9 would conduct broad research using institutions
10 across the country.

11 Our expectation is that we would engage
12 other institutions and we would leverage the money
13 beyond PIER to gain sort of a California focus on
14 demand response research.

15 We also expect that the Center will
16 sustain a longer term attention on DR research and
17 will be closely coordinated with the California
18 policies developed in the IEPR and the energy
19 action plan.

20 PIER, although we're planning to out-
21 source some of the planning and management of this
22 demand response research, PIER will have an
23 integral role in establishing the center
24 priorities and insuring that there's a strong
25 mapping to the California state energy policies.

1 We are planning to establish a Planning
2 Committee that would bring in key stakeholders
3 into the planning process and establish a process
4 for prioritizing the research over an annual
5 research plan process. We expect the stakeholders
6 would include ourselves, the Public Utilities
7 Commission, utilities and manufacturers of some of
8 the key DR equipment, meters, thermostats and
9 control systems.

10 Setting this up as a multi-year process
11 we expect that the annual research plans will come
12 back to the R&D Committee for approval, since you
13 are approving -- if you approve this, it's a
14 pretty large budget of \$8 million over several
15 years.

16 As I mentioned, the Center will be
17 hubbed at LBL and Maryann Piette will serve as the
18 Program Director. And we've all worked with her
19 and are quite comfortable with her competence in
20 this area.

21 The \$8 million budget is a three-year
22 budget. The first year is a little over \$1
23 million; the second year is anticipated at 2.5,
24 and the third year about 4.5. So the first year
25 is a startup of planning activities to put this

1 planning process in place; and to do the second
2 phase of projects, of projects we've already
3 initiated within our own program and we would like
4 to transition to the Research Center.

5 If this contract is approved, this, I
6 think, will really establish demand response as a
7 strong focus area within the PIER program and
8 consistent with the policy objectives recently
9 adopted in the IEPR.

10 So we ask for your approval of this
11 item.

12 CHAIRMAN KEESE: Thank you. And, I
13 gather, as this program gains steam you had hoped
14 to have collaborating partners, also?

15 MS. TEN HOPE: Yes.

16 CHAIRMAN KEESE: Doing funding?

17 MS. TEN HOPE: Yes.

18 CHAIRMAN KEESE: But initially PIER is
19 funding?

20 MS. TEN HOPE: Initially we'll be the
21 funders. We hope to interest other organizations
22 in participating and we're asking the nonpublic
23 members to actually pay for a seat on the Planning
24 Committee. Public members like ourselves and the
25 PUC would not be expected to do that. And then

1 also bring in research dollars.

2 CHAIRMAN KEESE: Thank you.

3 COMMISSIONER ROSENFELD: I'd like to
4 move the motion and to thank, as Laurie said, this
5 has taken what seems like an infinite amount of
6 planning. It's three PIER teams and managers from
7 LBL. And they've put countless hours into this
8 and I think they've come up with a very ambitious,
9 but practical, scheme. So I move it with
10 pleasure.

11 CHAIRMAN KEESE: Motion, Commissioner
12 Rosenfeld.

13 COMMISSIONER GEESMAN: Second.

14 CHAIRMAN KEESE: Second, Commissioner
15 Geesman.

16 All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Opposed? Adopted five
19 to nothing.

20 MS. TEN HOPE: Thank you.

21 PRESIDING MEMBER BOYD: Mr. Chairman,
22 I'd just like to comment that the IEPR is
23 predicated heavily on there being success in this
24 arena. The energy action plan is equally heavily
25 predicated on there being success in this arena.

1 And I realize that this is a major
2 undertaking. A lot of people are already looking
3 to us, though, for results in this arena. So,
4 we've got to move this along. The people are
5 expecting outputs in this demand response area, or
6 questioning whether it's really of value. And I
7 appreciate that this effort will get a lot of
8 additional notoriety to this.

9 CHAIRMAN KEESE: Thank you, Commissioner
10 Boyd. And following on your comments, this
11 project demonstrated collaboration between the
12 different sectors here, and we are seeing more and
13 more of that in the activities of the Commission,
14 which, in my mind, suggests that this is a very
15 appropriate time to review the Committee structure
16 of the Commission.

17 The changes that have taken place at the
18 staff level in reorganizing to try to better
19 handle our current workload from what it was five
20 or six years ago should be considered, I believe,
21 by this Commission in looking at how we go forward
22 relating to these projects.

23 And for that purpose I would like to
24 have a preliminary discussion of that after this
25 Commission meeting in the Third Floor Conference

1 Room with the Commissioners and their Advisers,
2 just to discuss this a little more fully.

3 And then look towards, within the next
4 four, six, eight weeks, some resolution here among
5 the Commissioners as to how we can better align to
6 deal with the realignment that has taken place at
7 the staff level already, and is taking place
8 through the PIER. We have these cross-cutting,
9 PIER is cross-cutting into virtually every area.
10 IEPR is cross-cutting into every area. I think we
11 have to discuss how we can best handle that
12 situation.

13 So, we will meet, and we will meet
14 formally as the Commission, in the Third Floor
15 Conference Room once we're done here.

16 Do I have a motion on the minutes?

17 COMMISSIONER ROSENFELD: I move them.

18 COMMISSIONER GEESMAN: Motion, Geesman.

19 Second, --

20 COMMISSIONER BLEVINS: I have some
21 discussion, if I may.

22 CHAIRMAN KEESE: Okay.

23 COMMISSIONER BLEVINS: The minutes
24 currently show that the way they're presented that
25 the vote on the last minutes were four/one. I

1 think it's more correct --

2 CHAIRMAN KEESE: Four and an abstention.

3 Can we --

4 COMMISSIONER BLEVINS: -- four/zero may
5 be the proper representation.

6 CHAIRMAN KEESE: Yes, I do believe that
7 we --

8 COMMISSIONER BLEVINS: Okay.

9 CHAIRMAN KEESE: -- that's what we had
10 tried to indicate at that time.

11 COMMISSIONER BLEVINS: Thank you, Mr.
12 Chairman.

13 CHAIRMAN KEESE: Thank you. So, with
14 that amendment, I have a motion by Commissioner
15 Geesman; second Commissioner Rosenfeld.

16 All in favor?

17 (Ayes.)

18 CHAIRMAN KEESE: Opposed? Adopted five
19 to nothing.

20 Under Commission Committee and Oversight
21 I would mention one thing. With respect to the
22 Mitsubishi application for an LNG terminal in Long
23 Beach, there is a time deadline of the 23rd of
24 this month to file an intervention.

25 The Energy Commission intends to file

1 for an intervention to comment on our policy
2 positions with respect to energy development in
3 California. We understand the PUC will also be
4 filing an intervention and taking further action.

5 But what we intend to do is placeholder
6 and intervene to make comments regarding
7 California's energy policy. We're not able to
8 schedule a full Electricity Committee meeting,
9 with our schedules, to consider this, so with this
10 placeholder we will be bringing the issue back to
11 the Electricity and Natural Gas Meeting next week
12 where we will have a fuller discussion and
13 participating with everybody.

14 Any other comments on Commission
15 Committee and Oversight?

16 Chief Counsel's Report?

17 MR. CHAMBERLAIN: Just very briefly, Mr.
18 Chairman. We did get what's been referred to as
19 the 1E report responding to a portion of S203, the
20 executive order with respect to regulations. The
21 purpose of that report was to describe what
22 regulations had been adopted by the Commission
23 during the past six years. And to reassess the
24 impact on business. And that has been submitted
25 now, as required.

1 CHAIRMAN KEESE: Thank you. Executive
2 Director's Report.

3 MR. THERKELSEN: Good morning,
4 Commissioners. Last week I had the pleasure of
5 attending a Senate Hearing focused on the PUC's
6 workplans and the Energy Commission's work
7 activities.

8 At that meeting, Senator Bowen presided
9 over it, only a couple of other senators showed
10 up, but she focused in on what activities we are
11 currently involved in. And I reported the focus
12 of the IEPR and how that has basically helped
13 define what we are doing here within the
14 Commission.

15 She had questions about our electricity
16 supply and demand situation, whether we saw any
17 significant change from when we briefed her at a
18 hearing in November. And I responded no, that
19 basically that situation was the same.

20 She was also interested in where we were
21 in terms of regulations, specifically the
22 Governor's Executive Orders. And I reported to
23 her that we had adopted the clothes washer
24 standards and other standards were moving forward
25 through the exemption process that the Governor's

1 Executive Order had established.

2 She was also curious about where we were
3 on the emerging renewable account funds. And I
4 gave her an update on that and the potential
5 dilemma that we face next fiscal year on that
6 funding source.

7 And then finally she wanted to know
8 about our involvement in LNG. And I told her that
9 currently we don't have any regulatory involvement
10 in LNG. That we are playing a cooperative
11 coordinating role with the other agencies to
12 develop, as best we can, a coordinated permitting
13 process with the other agencies.

14 When she closed she wanted to express
15 her appreciation for all the work the Commission
16 has done over the last several years, and
17 particularly the dedication of its staff. And I
18 passed it on to our staff in my message this last
19 week.

20 Secondly, the Governor's Office is very
21 much focused on the California performance review.
22 The latest executive order set up that
23 organization and requires it, by June 30th of this
24 year, to make recommendations to him on various
25 state issues, including organization, personnel,

1 administration, contracting, et cetera. And they
2 had asked for a number of people throughout state
3 government to participate in that. We are looking
4 at an option to see if we can provide some
5 assistance to that effort, because not only will
6 it impact us, I think we have a great deal to
7 contribute to that effort, as well. And I'll keep
8 you informed in terms of that activity.

9 Those are the two things I had to report
10 on.

11 CHAIRMAN KEESE: Thank you. Any
12 questions?

13 Public Adviser's Report.

14 COMMISSIONER GEESMAN: I had a question,
15 Mr. Chairman.

16 CHAIRMAN KEESE: Oh, go ahead,
17 Commissioner Geesman.

18 COMMISSIONER GEESMAN: Bob, I know in
19 the wake of the IEPR comments about the importance
20 of a transparent procurement process, and also the
21 PUC procurement decision, which seems to embrace a
22 similar goal for transparency, that you've been
23 weighing the value of our continued participation
24 in the PRG process, the procurement review groups.

25 And, you know, several of the Committees

1 of the Commissioners have raised questions in the
2 past as to the confidentiality relationship that
3 our staff has to embrace in order to participate
4 in that, and the fact that Commissioners are then
5 walled off from that information.

6 I wonder if you could come back to us at
7 a future business meeting and share your thoughts
8 and perhaps make a recommendation as to whether we
9 ought to continue to be involved in the non-
10 transparent procurement process that the PRGs
11 embody, or whether it's something that we ought to
12 no longer participate in.

13 MR. THERKELSEN: Yeah, I'm willing to do
14 that. One of the activities or one of the issues
15 that came up during the Senate hearing was
16 precisely that. Deborah spent probably an hour
17 and a half asking Michael Peevey a series of
18 questions. One of them was dealing with the whole
19 confidentiality process.

20 And as you are aware, last year we
21 expressed concerns about that, wanting to have a
22 more transparent process. And in the near future
23 we'll have an opportunity to submit comments on
24 that issue.

25 So, yes, I would be willing to address

1 that to the Commission in the near future.

2 CHAIRMAN KEESE: Thank you.

3 Public Adviser's Report?

4 MS. KIM: Good morning. I'd like to
5 highlight a couple of events. One is on Friday,
6 February the 20th, there will be a workshop held
7 by the Renewables Committee to solicit input on
8 cost of integrating renewables into California's
9 electricity system.

10 And second item is the Commission will
11 hold four workshops on PIER environmental area,
12 environmental exploratory grant program. And the
13 first in the series of workshops will be held on
14 Monday, February 23rd, here at the Commission.

15 That's all.

16 CHAIRMAN KEESE: Thank you. Public
17 comment?

18 Seeing none, this meeting will be
19 adjourned, subsequent to our brief meeting in the
20 Third Floor Conference Room.

21 Thank you, everyone.

22 (Whereupon, at 10:42 a.m., the business
23 meeting was adjourned.)

24 --o0o--

CERTIFICATE OF REPORTER

I, PETER PETTY, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Business Meeting; that it was
thereafter transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
meeting, nor in any way interested in outcome of
said meeting.

IN WITNESS WHEREOF, I have hereunto set
my hand this 20th day of February, 2004.

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